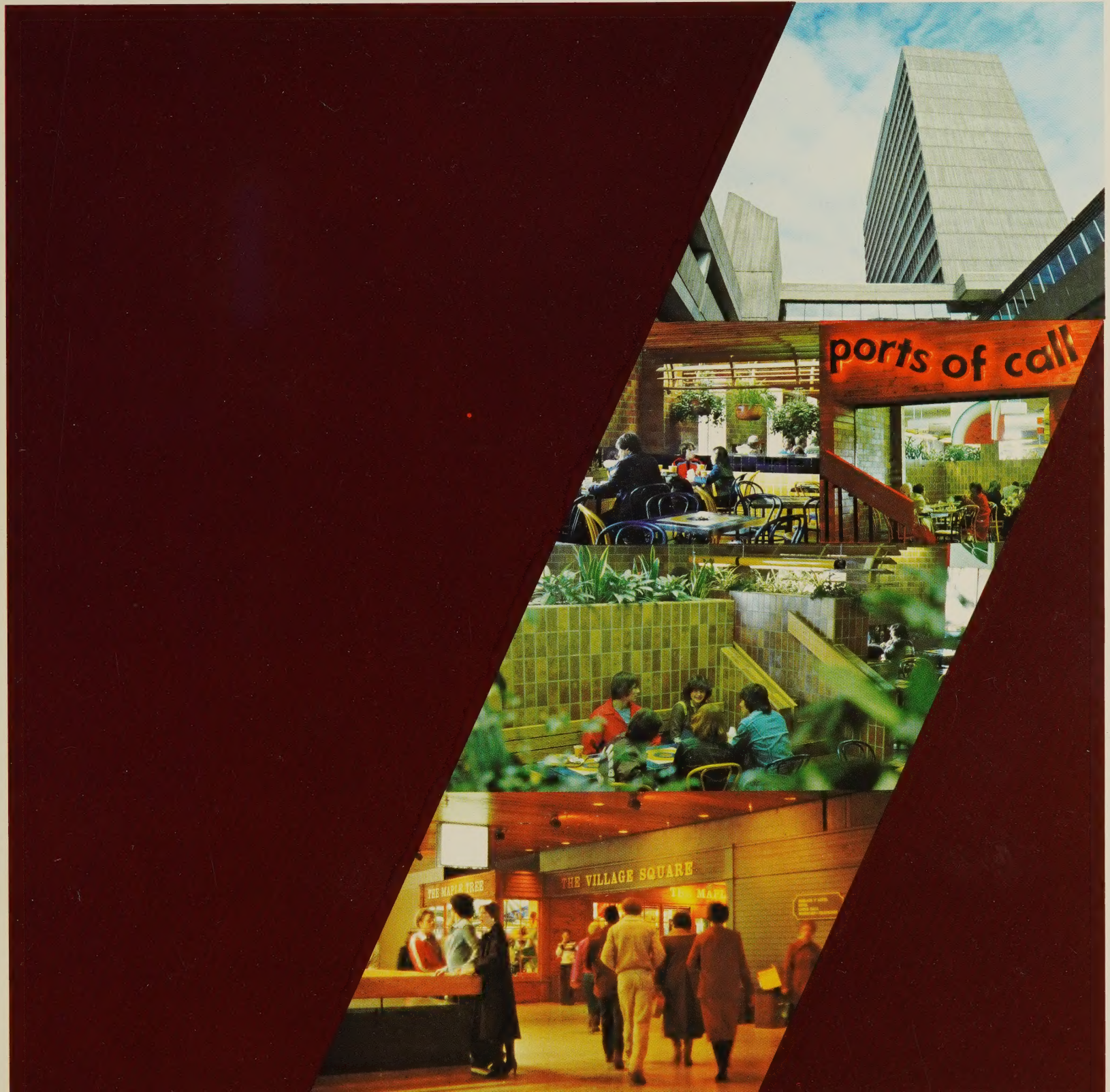


# Halifax Developments Limited

AR01

Annual Report  
1979





## **BOARD OF DIRECTORS**

H. P. Connor	Deputy Chairman, Central and Eastern Trust Company
*A. R. Harrington	Business Executive
*D. J. Hennigar	Atlantic Regional Director, Burns Fry Limited
J. J. Jodrey	President, Minas Basin Pulp & Power Company Limited
J. H. Mowbray Jones	Director, Hermes Electronics Limited
L. A. Kitz, Q.C.	Senior Partner, Kitz, Matheson, Green & MacIsaac
M. H. D. McAlpine	President, Robert McAlpine Limited
J. T. MacQuarrie, Q.C.	Partner, Stewart, MacKeen & Covert
H. B. Rhude, Q.C.	Chairman and Chief Executive Officer, Central and Eastern Trust Company
W. H. Richardson	President, Balcom-Chittick Limited
*D. R. Sobey	President, Halifax Developments Limited
F. H. Sobey	Honorary Chairman of the Board, Sobeys Stores Limited

\*Members of Audit Committee

## **OFFICERS**

J. J. Jodrey	Chairman of the Board
D. R. Sobey	President
D. B. Hyndman	Executive Vice-President and Secretary
A. R. Harrington	Vice-President
L. A. Kitz, Q.C.	Vice-President
J. M. Doull	Vice-President, Operations

## **BANKER**

The Bank of Nova Scotia

## **SOLICITORS**

Kitz, Matheson, Green & MacIsaac;  
Stewart, MacKeen & Covert

## **AUDITORS**

H. R. Doane and Company

## **TRANSFER AGENT AND REGISTRAR**

Canada Permanent Trust Company, Halifax, Montreal, Toronto, Calgary

## **LISTED**

Toronto Stock Exchange

## **HEAD OFFICE**

Barrington Tower, Scotia Square, Halifax, Nova Scotia

# Financial Highlights

	1979	1978	1977	1976	1975
Gross Income	<b>\$12,465,746</b>	\$11,821,090	\$11,056,903	\$8,900,743	\$8,154,126
Income before Income Taxes and Extraordinary Income	<b>\$ 907,053</b>	\$ 992,157	\$ 447,748	\$ 528,524	\$ 527,706
Per Share	<b>20¢</b>	22¢	10¢	12¢	12¢
Extraordinary Income	— \$	206,561	—	—	—
Deferred Income Taxes	<b>\$ 498,884</b>	\$ 478,131	\$ 228,135	\$ 249,055	\$ 271,355
Net Income	<b>\$ 408,169</b>	\$ 720,587	\$ 219,613	\$ 279,469	\$ 256,351
Per Share	<b>9¢</b>	16¢	5¢	6¢	6¢
Cash Flow	<b>\$1,654,663</b>	\$ 1,913,523	\$ 1,166,405	\$1,121,101	\$1,033,331
Per Share	<b>37¢</b>	43¢	27¢	26¢	24¢
Average Shares Outstanding	<b>4,463,705</b>	4,415,705	4,319,705	4,319,705	4,319,705
Shareholders' Equity	<b>\$ 9,906,420</b>	\$ 9,766,073	\$ 8,868,805	\$8,735,586	\$8,542,511
Book Value Per Share	<b>\$ 2.22</b>	\$ 2.19	\$ 2.05	\$ 2.02	\$ 1.98



# Report to Shareholders

Consolidated net income before extraordinary item for the year ended December 31, 1979 was \$408,169 (9¢ per share) compared to \$514,026 (12¢ per share) for 1978. Last year extraordinary gain in the amount of \$206,561 raised total consolidated net income to \$720,587. Cash flow from operations in the latest year amounted to \$1,654,663 (37¢ per share) compared to \$1,706,962 (38¢ per share) in 1978.

Total dividends of 6¢ per share were paid in 1979 compared with 4¢ per share in 1978. Further, your Directors approved a 2¢ dividend payable March 14, 1980.

The current year has been adversely affected by a decrease in our share of the operating results of Durham Leaseholds Limited compared to last year. This joint venture owns and operates both the Royal Bank and Bank of Commerce Buildings, and is feeling the full impact of the current over supply of office space, in Metropolitan Halifax.

The three office towers in Scotia Square have maintained a high average level of occupancy, but the projected rental increases on lease renewals, have not materialized, due to the highly competitive market. Net rentals per square foot to the Company remain substantially below those obtained in most other cities in Canada.

New buildings, such as Cogswell Tower and the Bank of Commerce Building have steadily improved occupancy levels, which, at the same time, has created a soft market for the older buildings. It now appears that this infilling process will continue, and normal economic rents will be difficult to achieve in the immediate future.

In addition to the above, the results of the past year were affected by the loss of a major warehouse tenant in the Trade Mart Building. Progress is continuing towards reducing this vacancy.

On the positive side, Scotia Mall has maintained its dominant position as the focal point of downtown Halifax. The new fast food area, "Ports of Call," opened in 1978, continues to be a success and has resulted in increased traffic in the Mall, particularly over the lunch time period. This trend is expected to be reinforced in 1980 as a result of direct pedestrian skywalk connections to Barrington Place, Bank of Commerce Building and Plaza 1881, your Company's newest apartment building. With the opening of Barrington Place on March 26th and its direct connection to Scotia Square, shoppers will have in excess of 150 retail and service outlets in one location providing the greatest single selection of stores and services in Atlantic Canada.

The two existing apartment buildings are making a positive contribution to overall company profits. Occupancy in these buildings is above average, compared with other residential towers in the Metropolitan Halifax area, as there is a growing tendency for a return to the downtown core, as a place to live.

The third apartment tower, Plaza 1881, will open in April of this year. In addition to the 155 luxury suites, there is a limited amount of commercial space. Initial reaction to the model suites which opened in mid February has been very positive, and management is pleased to report initial leasing is running at a level in excess of that experienced, in the first two apartment buildings. Medium term financing for the project was arranged prior to construction with the issuance of an income debenture with our bankers.

Durham Leaseholds Limited, our joint venture with Oxford Development Group Limited, opened Barrington Place on March 26, 1980. This latest project consists of the 203 room Barrington Inn, leased on a long term basis to Delta Hotels Limited a Canada wide chain of hotels. In addition, it also contains 55 outlets complementing the retail and service facilities of Scotia Square. A pedestrian skywalk connects Barrington Place directly to the centre court of Scotia Square.

Operating costs remain a concern. In particular, taxation policies at all levels of government have increasingly put more of the burden of the cost of municipal budgets on commercial rather than residential properties. For the current year changes in the method of assessment for commercial properties, will have a direct and dramatic effect on your Company's assessed real property values. These new assessments will be vigorously contested on behalf of our tenants, through the assessment appeal procedure.

As mentioned in previous annual reports, dramatic progress in controlling energy costs has been, and continues to be made. By the use of a computer our consumption of power has been maintained at approximately 1974 levels, despite the addition of an office tower. These savings are passed on to tenants, and have little effect on direct results of the Company, but do make us more competitive in the rental market.

Your Company's location as the focal point of the downtown business area has contributed to its past success and will continue. A recent announcement that the Provincial Government will finance the majority of the capital cost of convention facilities in Scotia Place, immediately adjacent to Scotia Square, is further evidence of its increasingly strategic location. This latter facility, on which proposal calls are now under evaluation, will contain facilities to accommodate conventions of up to 2,000 delegates and a 250 room hotel. Negotiations have commenced to have a direct pedestrian connection to Scotia Square, its parkade and Scotia Mall.

Human resources are important to every enterprise and are no less so to our Company. We wish to thank all the employees for their dedication and efforts during the past year.

Chairman

J J J Carey.

President

Charles L. May



# Consolidated Statement of Income

	December 31	
	1979	1978
Gross income	<b>\$12,465,746</b>	\$11,821,090
Operating expenses	<b>7,510,317</b>	6,838,443
	<b>4,955,429</b>	4,982,647
Interest on long term debt	<b>3,299,752</b>	3,363,230
	<b>1,655,677</b>	1,619,417
Depreciation	<b>692,135</b>	657,034
Amortization	<b>55,475</b>	57,771
	<b>747,610</b>	714,805
Income from operations	<b>908,067</b>	904,612
Investment income (loss)	<b>(1,014)</b>	87,545
Income before income taxes and extraordinary item	<b>907,053</b>	992,157
Deferred income taxes	<b>498,884</b>	478,131
Income before extraordinary item	<b>408,169</b>	514,026
Extraordinary item (Note 8)		206,561
Net income	<b>\$ 408,169</b>	\$ 720,587
Earnings per share		
Income before extraordinary item	<b>\$ .09</b>	\$ .12
Net income	<b>\$ .09</b>	\$ .16

# Consolidated Statement of Retained Earnings

	December 31	
	1979	1978
Retained earnings, beginning of year	<b>\$1,459,351</b>	\$ 917,312
Net income	<b>408,169</b>	720,587
	<b>1,867,520</b>	1,637,899
Dividends	<b>267,822</b>	178,548
Retained earnings, end of year	<b>\$1,599,698</b>	\$1,459,351

## ASSETS

1979

1978

Receivables	\$ 535,501	\$ 727,770
Prepaid expenses	355,234	225,176
Performance deposits	150,000	150,000
Investment in corporate joint venture (Note 2)	1,363,589	962,598
Land, buildings and equipment (Note 3)	52,316,820	47,315,647
Other (Note 4)	640,635	696,110

**\$55,361,779**

\$50,077,301

J J J Carey.

Director

Charles L. Key

Director

The accompanying notes form part of this statement.



## Balance Sheet

<b>LIABILITIES</b>	<b>December 31</b>	
	<b>1979</b>	<b>1978</b>
Bank indebtedness (Note 5)	<b>\$ 1,057,150</b>	\$ 1,040,699
Payables and accruals	<b>2,104,148</b>	1,319,690
Long-term debt (Note 6)	<b>40,412,446</b>	36,568,108
Deferred income taxes	<b>1,881,615</b>	1,382,731
	<b>45,455,359</b>	40,311,228
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 7)		
Authorized — 5,000,000 common shares without nominal value		
Issued and outstanding — 4,463,705 shares	<b>8,306,722</b>	8,306,722
Retained earnings	<b>1,599,698</b>	1,459,351
	<b>9,906,420</b>	9,766,073
	<b>\$55,361,779</b>	\$50,077,301

### AUDITORS' REPORT

#### To the Shareholders of Halifax Developments Limited

We have examined the consolidated balance sheet of Halifax Developments Limited as at December 31, 1979 and the consolidated statements of income, retained earnings, and changes in cash position for the year then ended, and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its cash position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

H. R. Doane and Company  
Chartered Accountants

Halifax, Nova Scotia  
February 20, 1980

# Consolidated Statement of Changes in Cash Position

	December 31	
	1979	1978
Source		
Operations		
Income before extraordinary item	\$ 408,169	\$ 514,026
Depreciation	692,135	657,034
Amortization	55,475	57,771
Deferred income taxes	498,884	478,131
Cash flow before extraordinary item	1,654,663	1,706,962
Extraordinary item (Note 8)		206,561
<b>Cash flow</b>	<b>1,654,663</b>	<b>1,913,523</b>
Proceeds from income debenture	5,000,000	
Increase in current bank indebtedness	16,451	159,004
Conversion of long-term debt to common stock		355,229
Increase in long-term bank loans		446,000
Net change in other assets and liabilities	846,669	15,377
	<b>7,517,783</b>	<b>2,889,133</b>
Application		
Increase in investment in corporate joint venture	400,991	185,874
Land, buildings and equipment	5,693,308	1,557,313
Repayment of long term debt	709,662	967,398
Decrease in long term bank loans	446,000	
Dividends	267,822	178,548
	<b>7,517,783</b>	<b>2,889,133</b>
Cash flow per share before extraordinary item	\$ .37	\$ .38
<b>Cash flow per share</b>	<b>\$ .37</b>	<b>\$ .43</b>



# Notes to Consolidated Financial Statements

## 1. Accounting policies

- (a) The company's accounting policies and its standards of disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies.
- (b) The accounts of the subsidiary company, Halifax Parking Limited, have been included in these consolidated financial statements. Durham Leaseholds Limited, a corporate joint venture is accounted for herein using the equity method of accounting.
- (c) Depreciation on buildings is recorded on a 5%, forty year sinking fund basis. The depreciation charge increases annually and consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 5% so as to fully depreciate buildings over a forty year period. The depreciation charged on buildings in the fortieth year will be approximately seven times the amount charged in the first year.
- (d) The company follows the tax allocation basis of accounting. Accordingly, full provision is made for income taxes that are deferred primarily as a result of the timing difference between the depreciation provided for accounting purposes and that claimed for income tax purposes.

## 2. Investment in corporate joint venture

The company's 50% interest in the corporate joint venture, Durham Leaseholds Limited is accounted for on the equity basis and is made up as follows:

	1979	1978
Shares, at cost	\$ 150	\$ 150
Share of earnings, equity basis	270,939	369,948
Demand notes, at cost	1,092,500	592,500
	<b>\$1,363,589</b>	<b>\$962,598</b>

The shares and demand notes in the amount of \$112,500 have been lodged with a trustee as security for the bondholders.

## 3. Land, buildings and equipment

	1979	1978
Buildings and equipment	<b>\$48,873,809</b>	\$48,499,554
Less: accumulated depreciation	<b>4,393,906</b>	3,699,590
	<b>44,479,903</b>	44,799,964
Land	<b>1,794,330</b>	1,721,260
Construction in progress	<b>6,042,587</b>	794,423
	<b>\$52,316,820</b>	<b>\$47,315,647</b>

## 4. Other

The other assets of the company consist of the following:

	1979	1978
Unamortized bond discount and expenses (a)	<b>\$468,213</b>	\$512,193
Excess of purchase cost of subsidiary over net book value of assets acquired (b)	<b>172,422</b>	183,917
	<b>640,635</b>	<b>\$696,110</b>

- (a) Amortization of the bond discount and expenses is recorded on a straight-line basis over the terms of the respective bond issue.
- (b) The acquisition of the subsidiary, Halifax Parking Limited, in 1974 has been accounted for by the purchase method. The purchase cost in excess of the net book value of assets acquired was \$229,897. This amount is being charged against operations on a straight-line basis over a period of 20 years. Accumulated amortization to December 31, 1979 is \$57,475.

## 5. Bank indebtedness

The bank indebtedness is secured by a general assignment of book debts.



6. Long term debt

	1979	1978
8% First Mortgage Bonds, First Series, due April 1, 1996 repayable in level monthly installments of \$91,585 principal and interest. Additional interest calculated at 4 1/4% of gross annual rentals from specifically mortgaged premises, is payable at not less than \$100,000 nor more than \$150,000 in any one fiscal year of the company.	<b>\$10,035,814</b>	\$10,332,397
9 1/8% First Mortgage Bonds, Second Series, due October 1, 1988 repayable in level monthly installments of \$52,095 principal and interest.	<b>6,141,552</b>	6,213,170
8 1/4% First Mortgage loan repayable in level monthly installments of \$17,533 principal and interest to July 1, 1993.	<b>1,722,816</b>	1,790,486
9% First Mortgage loan repayable in level monthly installments of \$22,436 principal and interest to April 1, 2000.	<b>2,524,167</b>	2,568,238
10 1/2% First Mortgage loan repayable in level monthly installments of \$16,118 principal and interest to October 20, 2005.	<b>1,756,448</b>	1,768,652
10 1/4% First Mortgage loan repayable in level monthly installments of \$72,908 principal and interest to June 30, 1992.	<b>7,796,649</b>	7,884,165
8% General Mortgage Sinking Fund Bonds, Series A, due August 1, 1993.	<b>2,565,000</b>	2,640,000
8% General Mortgage Sinking Fund Bonds, Series B, due December 31, 1994.	<b>910,000</b>	925,000
9 3/4% General Mortgage Sinking Fund Bonds, Series C, due April 1, 1999. Sinking fund payments commence in 1979.	<b>1,960,000</b>	2,000,000
Income debenture, due on or before December 31, 1983.	<b>5,000,000</b>	
Interim construction loans.		446,000
	<b>\$40,412,446</b>	<b>\$36,568,108</b>

The income debenture is secured by a first fixed charge on the Stage IX development plus a floating charge over all other assets of the company subject to the liens of bondholders.

Estimated principal and sinking fund payments during the next five fiscal years are as follows:

1980	\$ 768,000
1981	\$ 837,000
1982	\$ 887,000
1983	\$ 960,000
1984	\$1,013,901

7. Capital stock

144,000 common shares were issued on April 27, 1978 in connection with the conversion of Series D debentures on the basis of 400 shares for every \$1,000 principal outstanding.

8. Extraordinary item

The extraordinary item in 1978 represents the company's share of a gain on disposal of assets realized by Durham Leaseholds Limited.

9. Executive compensation

The aggregate direct remuneration to directors, officers and senior employees amounted to \$186,064 in 1979.

10. The accounts for the previous year have been reclassified, where necessary, to conform with the current year's presentation.

11. Contingent liabilities

The company has guaranteed a bank loan of Durham Leaseholds Limited to the extent of \$750,000.



## PLAZA 1881

The third apartment building, and final phase of Scotia Square as originally planned, will receive its first occupants by May 1, 1980.

The building incorporates modern safety features and tenant amenities, with 155 apartment suites, and a limited amount of commercial space. Plaza 1881 is connected by a pedestrian skywalk directly to Scotia Square, its shopping mall, office towers and other related facilities.



# PLAZA





